

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 PA-04

USIA-15 PRS-01 IO-14 AF-10 ARA-16 EA-11 /235 W

----- 115195

R 181550Z APR 74

FM AMEMBASSY MADRID

TO SECSTATE WASHDC 8663

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

C O N F I D E N T I A L MADRID 2423

STATE ALSO FOR T/IEP

BEIRUT PLS PASS USINT BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, SP, SA

SUBJ: ENERGY: HIGH LEVEL GOS TEAM TO TRAVEL TO  
SAUDI ARABIA ON OIL DEAL NOGOTIATION;  
REFLECTIONS ON THE RECENTLY-SIGNED IRAQI  
AGREEMENT

REF: A) MADRID 1846, B) BEIRUT 3742

1. SECOND VICE PRESIDENT AND FINANCE MINISTER ANTONIO  
BARRERA DE IRIMO WILL LEAD A GOS TEAM, WHICH WILL ALSO  
INCLUDE INDUSTRY MINISTER SANTOS BLANCO AND INI PRESIDENT  
FERNANDEZ ORDONEZ, TO NEGOTIATE WITH THE SAUDIS ON A  
POSSIBLE BILATERAL OIL DEAL. THE GROUP LEAVES MADRID  
APRIL 19 AND WILL REPORTEDLY STAY FOUR DAYS IN JIDDA.  
FERNANDEZ ORDONEZ CALLED IN AN EMBOFF TO COMMENT ON THIS  
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TRIP AS FOLLOWS:

A. THE PROBLEM IS THAT THE SAUDIS HAVE, SO TO SPEAK, NO OIL; SO FAR, IT IS ARAMCO THAT CONTROLS SAUDI ARABIA'S OIL EXPORTS. IN FACT, ON PREVIOUS OCCASIONS THE SPANISH NEGOTIATORS HAVE BEEN TOLD TO DEAL WITH ARAMCO RATHER THAN ON A GOVERNMENT-TO-GOVERNMENT BASIS IF THEY WERE INTERESTED IN PURCHASING OIL. THE SPANISH VIEW IS THAT THIS MAY NOT ALWAYS BE THE CASE AND THAT THE SAUDIS COULD EVENTUALLY BE IN A POSITION TO SELL OIL ON A GOVERNMENT-TO-GOVERNMENT BASIS; THEREFORE, IT IS WISE TO ESTABLISH A RELATIONSHIP NOW FOR THAT FUTURE EVENTUALITY.

B. INsofar AS FERNANDEZ ORDONEZ IS CONCERNED, THE PRINCIPAL MOTIVATION FOR THE TRIP IS TO MAKE ARRANGEMENTS FOR SOMEHOW RECYCLING THE SAUDI MONEY BACK INTO SPAIN. HIS THOUGHT IS THAT PERHAPS A JOINT SAUDI/SPANISH ENTITY COULD BE SET UP FOR THIS PURPOSE TO INVEST IN SPAIN. HE EXPECTS TO PURSUE THIS WITH THE SAUDIS.

C. BARRERA DID NOT REALLY WANT TO GO, BUT IT SEEMS THAT THE SAUDIS INFORMED THE SPANISH THAT THEY WOULD TALK TO NO ONE BELOW THE VICE PRESIDENTIAL LEVEL. THEREFORE, BARRERA WAS FORCED, RELUCTANTLY, TO MAKE THE TRIP.

2. ON THE BASIS OF INFORMATION PROVIDED THE EMBASSY BY THE DEPARTMENT, THE EMBOFF INFORMED FERNANDEZ ORDONEZ OF THE RATHER UNSATISFACTORY AND TENTATIVE RESULTS THAT HAVE SO FAR BEEN THE EXPERIENCE OF GOVERNMENTS ATTEMPTING TO DEAL BILATERALLY WITH THE PRODUCERS. THE MESSAGE THAT THIS ROUTE WAS NOT THE IDEAL ARRANGEMENT THAT ON THE SURFACE IT MIGHT APPEAR WAS CLEARLY RECEIVED- AND APPRECIATED. HE SEEMED TO HAVE NO ILLUSIONS AS TO THE POSSIBILITIES FOR SPAIN IN THIS REGARD WITH THE SAUDIS AND REALIZED THAT CASH SALES WERE ALL THE SAUDIS HAD IN MIND.

3. CONCERNING THE AGREEMENT SIGNED BETWEEN THE GOS AND IRAQ LAST MONTH, IN WHICH HE ALSO PARTICIPATED, FERNANDEZ ORDONEZ SAID THAT THE PRICE WAS NOT A FIXED ONE AND WOULD FLOAT ACCORDING TO THE MARKET LEVEL AT THE TIME OF SALE. HE FURTHER SAID THAT THE ACCOMPANYING BUT SEPARATE PROTOCOL THAT SPOKE OF THE SALE OF SPANISH MERCHANDISE AND EQUIPMENT TO IRAQ WAS A STATEMENT OF INTENTIONS ONLY  
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WITH NO COMMITMENT BY IRAQ TO BUY SPANISH COUNTERPART GOODS. SPAIN WOULD HAVE TO COMPETE WITH ALL OTHER SUPPLIERS IN THE BIDDING PROCESS FOR IRAQI PROJECTS. HOWEVER, FERNANDEZ ORDONEZ SAID THE IRAQI CENTRALLY-DIRECTED ECONOMY WOULD PERMIT A "TILT" IN FAVOR OF SPAIN IN THE DECIDING OF THE WINNING BID IN THESE PUBLIC LICITATIONS. HE IMPLIED THAT THE IRAQIS PROMISED THAT THEY WOULD SO TILT IN SPAIN'S FAVOR. HOWEVER, THE SALES

TO BE REALIZED WOULD NOT BE FOR THE \$300 MILLION MENTIONED IN THE PROTOCOL, BUT FOR A LESSER AND UNSPECIFIED AMOUNT. TRUCKS AND A CHEMICAL PLANT ARE THE ITEMS SPAIN HOPES TO SELL TO IRAQ ON THIS BASIS.

4. A HIGH-LEVEL GOS SOURCE IN THE FINANCE MINISTRY INDICATED TO THE EMBOFF THAT THE IRAQI DEAL WAS REALLY NOTHING AND THAT IT ONLY PUT DOWN ON PAPER THE AMOUNT OF OIL THAT SPAIN WOULD BE PURCHASING FROM IRAQ IN ANY CASE. AND SINCE THE PRICE WOULD BE AT THE LEVEL TO BE FIXED AT THE MOMENT OF SALE, THERE WAS NOTHING MEANINGFUL IN THIS REGARD EITHER, ESPECIALLY SINCE THE MARKET PRICE IS SO DIFFICULT TO DETERMINE. THIS INFORMANT WAS MUCH LESS SANGUINE ABOUT THE IRAQIS BUYING ANYTHING FROM SPAIN AND REGARDED THE PROTOCOL SIGNED IN BAGHDAD LAST MONTH AS A MEANINGLESS PAPER. WITH REGARD TO THE CURRENT SAUDI TRIP, THIS SOURCE ALSO SAID THAT THE FINANCE MINISTER HAD NO INTEREST WHATSOEVER IN GOING TO JIDDA, AND FURTHER INDICATED THAT HE DIDN'T EXPECT ANYTHING TO COME OF IT, BUT WAS BEING FORCED INTO PURSUING THE MATTER BECAUSE OF THE INSISTANCE OF THE FOREIGN OFFICE WHICH ARRANGED THE MEETING.

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## Message Attributes

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**To:** STATE  
**Type:** TE  
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